



To: Barbara Langner, Medicaid Director, Kansas Health Policy Authority  
From: Debra H. Zehr, President/CEO, Kansas Association of Homes and Services for the Aging  
Re: Medicaid Reform Proposals  
Date: February 22, 2011

### **Frontier Long Term Services and Supports (LTSS) Rebalancing Pilot Project**

**Background:** The majority of older Kansans would prefer to receive formal long-term services and supports (LTSS) in their own home. Yet, when older Kansans in rural and frontier areas require formal LTSS, they typically have one place to turn... the nursing home. Widespread availability of nursing home care was set in motion by the advent of Medicaid and other policy decisions made in the 1960's. Today the statewide nursing home utilization rate for the 65+ population is 5.6%, while the average utilization rate across the nation is 3.8%.

The Medicaid Nursing Facility program funds a comprehensive array of services and supports including, but not limited to housing, nutrition, access to around-the-clock licensed nursing care, interdisciplinary care management, activity programming, social services, restorative services and transportation. The Medicaid Home and Community-Based Services (HCBS) program, on the other hand, pays for far fewer, more targeted services. Thus, the average cost to the state per HCBS client is typically far less than for a person residing in a nursing home.

Estimated annual Medicaid SGF savings of \$12+ million could be achieved for every 0.5% decline in nursing home utilization, given a corresponding increase in HCBS caseload. Given older Kansans preference for receiving services outside the nursing home setting, improving access to HCBS could also result greater satisfaction among beneficiaries.

### **Nursing Homes: A Resource for Rebalancing the LTSS System in Frontier Kansas**

Nursing homes are essential partners to rebalance the LTSS system in frontier areas of the state.

Nursing homes are the LTSS specialists in small communities. Most have been dedicated to providing care to elders in the community for several decades. They have highly developed data collection and outcome measurement systems and cost reporting mechanisms, and are accustomed to operating in a heavily regulated environment. They are the major employer of LTSS workers, and have well-established systems for recruiting, training and managing this workforce.

Multiple factors threaten small nursing homes in frontier areas. Small fluctuations in costs or census, with ever-present gaps between actual costs and Medicaid reimbursement, contribute to their ongoing precarious financial

condition. Economies of scale (with everything from staffing, utilities, to supplies) are difficult or impossible to achieve in small nursing homes. As regulations have increased over time, so has the cost associated with regulatory compliance. Most of these facilities were built before 1970, making them increasingly difficult and costly to maintain and operate. Unlike hospitals that can turn to local mill levies for funding, nursing homes have difficulty accessing capital to modernize facilities.

This convergence of poor reimbursement, lack of economies of scale, regulatory burden, and lack of access to capital not only threatens the continued viability of the frontier nursing home, it paralyzes its ability to transform to meet the changing needs and expectations for the future. It also traps the state into paying more for more formal long-term supports and services than would be otherwise necessary in a well-balanced system of LTSS.

**Proposal:** The Frontier Rebalancing Project will develop, implement and evaluate the effectiveness of a new approach to creating a balanced, coordinated LTSS model in two sparsely-populated or frontier-designated counties. Project sites will be selected by the Department on Aging, and will meet the following criteria:

1. The county has one licensed nursing facility that is located at least 25 miles from another nursing facility
2. The nursing facility is Medicaid certified
3. The average nursing home length of stay is above state average
4. Nursing home utilization in the county is above state average
5. There are documented unmet needs for community-based LTSS in the county

Partners and Responsibilities:

The selected nursing home/s will:

- Downsize licensed capacity to a targeted rate (i.e. at or below the state average nursing home utilization rate.)
- Modernize or replace existing facilities in keeping with the underlying goals of the rebalancing project and the principles of person-centered care.
- Seek certification for Medicare if not already certified, so that Medicare beneficiaries can access their Skilled Nursing Facility benefit as appropriate.
- Create an array of coordinated community-based LTSS, based on an assessment of needs and preferences of the community, and in cooperation with other local partners as appropriate.

The Department on Aging will:

- Provide a secure, true-cost Medicaid Nursing Facility rate for the duration of the project or a minimum of five years.
- Provide usable unmet needs data to the nursing home to target service development.
- Negotiate an upfront incentive for the nursing home to address capital needs for the rebalancing project, based on a portion of the projected savings to the state.
- Enlist assistance from the Department of Commerce, State Treasurer's Office, or other government agencies to access programs to address capital needs for the rebalancing project.
- Partner with the nursing home to identify and modify regulatory interpretations or waive regulations that create barriers to transformation, without compromising quality outcomes.

**Outcomes:** The expected outcomes of this rebalancing project are:

- A decrease nursing home utilization to a rate at or below the state average.
- Reduction in the overall Medicaid LTSS costs to the State in the selected frontier counties.
- An increase in options for formal LTSS.
- Improved LTSS customer satisfaction across settings.
- Improved LTSS coordination across settings.

Contact Debra Zehr at [dzehr@kahsa.org](mailto:dzehr@kahsa.org) or Ph 233-7443 for more information.